

Message Text

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63

ORIGIN EB-07

INFO OCT-01 NEA-09 ISO-00 L-02 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 INRE-00 PRS-01

SSO-00 /048 R

DRAFTED BY GC/ASIA:MKITAY/EB/IFD/OIA:BCROWE

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AID/NESA/SA:HREES

L/EB:SBOND

TREASURY:RPELIKAN

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FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD IMMEDIATE

INFO AMEMBASSY DACCA

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E.O. 11652:N/A

TAGS: EFIN, PK, BD

SUBJECT DEBT DIVISION

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REFERENCE: ISLAMABAD 0543

1. WE SEE TWO BASIC GOP REQUESTS IN REFTTEL: (1) THAT THE
USG RESCHEDULE ALL OF ITS PORTION DEBT RELIEF IN FOUR YEARS
TIME FRAME AND (2) THAT USG GIVE RELEASE TO GOP FOR ALL
VISIBLE BANGLADESH PROJECT LOANS.

2. CONCERNING THE "ELIGIBLE" VERSUS "INELIGIBLE" LOAN
CATEGORY AND THE RESULTING FOUR YEAR VERSUS FIVE AND ONE-
HALF YEAR RESCHEDULING PERIOD:

-- JUNE 28 MEMORANDUM OF UNDERSTANDING TAKES INTO
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ACCOUNT BOTH THE NEED FOR DEBT RELIEF ARISING FROM

THE UNIQUE CIRCUMSTANCES OF 1971 AND PAKISTAN
BALANCE OF PAYMENTS POSITION.

-- USG AGREEMENT ON US PARTICIPATION IN THE PAKISTAN
RESCHEDULING WAS SECURED ON THE PROVISIO THAT USG
RESCHEDULE ONLY THOSE AID DEBTS WHICH HAD BEEN
DISPUTED AS A RESULT OF THE EVENTS OF 1971.

-- RELIEF PROGRAMMED FOR FIFTH AND PART OF SIXTH YEAR
WILL BE DISCOUNTED AT TEN PERCENT TO THE YEAR IN

WHICH IT SHOULD HAVE BEEN GIVEN. WE BELIEVE THIS
IS EQUITABLE AND IS IN FULL ACCORD WITH MEMORANDUM
SIGNED BY THE GOP.

WHILE USG ANXIOUS TO APPEAR RESPONSIVE AND ENCOURAGE THE
SIGNING OF THE BILATERAL AGREEMENT AS SOON AS POSSIBLE, WE
CANNOT AGREE TO RESCHEDULE ANY LOANS OTHER THAN THOSE
DESCRIBED AS "ELIGIBLE" IN OUR DRAFT AGREEMENT.

3. SEPTTEL MONDAY ON QUESTION GENERAL RELEASE. KISSINGER

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